

FISCAL MEMORANDUM

SB 3830 – HB 3456

February 18, 2008

SUMMARY OF AMENDMENT (014098): Adds oils, lubricants, and fluids, used for the repair and maintenance of specified equipment used for agricultural purposes, to the list of items proposed to be exempt from state and local sales tax.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenue - \$88,000

Decrease Local Revenue - \$28,300

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Decrease State Revenue - \$547,400

Decrease Local Revenue - \$176,000

Assumptions applied to amendment:

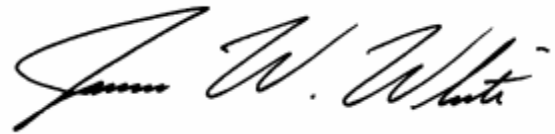
- The estimated decrease of state revenue attributable to the original language of the bill was \$88,000 ($\$1,257,300 \times 7.0\% = \$88,011$) per year.
- The estimated decrease of local government revenue attributable to the original language of the bill was \$28,300 ($\$1,257,300 \times 2.25\% = \$28,289$) per year.
- According to the Department of Revenue, and based on data from the 2002 U.S. Census of Agriculture, there were 87,500 farms in Tennessee.
- The number of farms has remained relatively constant.
- One hundred percent of farms use oils, lubricants, and fluids to some extent.
- Average spending is estimated to be \$75 per farm per year.
- Total taxable sales of oils, lubricants, and fluids used for the agricultural purposes specified are estimated to be \$6,562,500 ($87,500 \text{ farms} \times \$75 = \$6,562,500$) per year.
- The current state sales tax rate is seven percent.

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- The total decrease of state revenue is estimated to be \$547,400 $[(\$6,562,500 \times 7.0\%) + \$88,000 = \$547,375]$ per year.
- The local option sales tax rate is estimated to average two and one-quarter percent.
- The total decrease of local government revenue is estimated to be \$176,000 $[(\$6,562,500 \times 2.25\%) + \$28,300 = \$175,956]$ per year.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/rnc